

Message Text

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64

ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 SPC-03 AID-20 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 L-03 H-03 PA-04 PRS-01 USIA-15 DRC-01 /169 W

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R 022211Z NOV 73

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 2035

UNCLAS OTTAWA 2625

PASS TREASURY

E.O. 11652: N/A

TAGS: EFIN, CA

SUBJECT: INTERNATIONAL RESERVES: OCTOBER.

1. MINFIN TURNER ANNOUNCED NOV. 2 THAT CANADA'S INTERNATIONAL RESERVES ROSE BY \$53.4 MILLION DURING OCTOBER ON BASIS OF VALUATION PREVAILING AT END OF SEPTEMBER. IN ADDITION, U.S. DOLLAR VALUE OF GOLD AND SDR-DENOMINATED ASSETS ROSE BY \$184.9 MILLION BECAUSE OF OCTOBER 18 CHANGE IN PAR VALUE OF U.S. DOLLAR. ON BASIS NEW VALUATION, RESERVES TOTALLED \$5,773.5 MILLION ON OCTOBER 31. FOLLOWING IN U.S. MILLION DOLLARS:

	BEFORE REVALUATION	AFTER REVALUATION	REVALUATION EFFECT
U.S. DOLLARS	3,920.8	3,920.8	
OTHER CONVERTIBLE CURRENCIES	14.4	14.4	

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GOLD	834.2	926.9	92.7
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SDR'S	507.3	563.7	56.5
IMF RESERVE			
POSITION	312.1	374.8	35.8
TOTALS	5,588.7	5,773.5	184.9

2. ELIMINATING VALUATION CHANGES, OCTOBER RESERVE MOVEMENTS INDICATE THAT U.S. DOLLAR HOLDINGS ROSE BY 64.9 MILLION, OTHER CONVERTIBLE CURRENCIES WERE UP BY \$0.7 MILLION AND CANADA'S RESERVE POSITION WITH THE IMF DECLINED BY \$12 MILLION.

3. A NARROWING OF INTEREST RATE DIFFERENTIALS APPEARS MAINLY RESPONSIBLE FOR REVERSING SOUTHERLY FLOW OF FUNDS THAT HAS CHARACTERIZED US-CANADIAN MONEY MARKET ACTIVITIES IN RECENT MONTHS. IT WAS ALSO NOTED THAT WITH THEIR FISCAL YEAR ENDING OCTOBER 31, CHARTERED BANKERS PROBABLY SOUGHT TO INCREASE CANADIAN DOLLAR BALANCES FOR ANNUAL STATEMENTS BY REDUCING FOREIGN CURRENCY POSITIONS.

4. AFTER REACHING A TWO-YEAR HIGH IN MID-SEPTEMBER (C\$1.011) THE U.S. DOLLAR WEAKENED STEADILY TO ITS LOWEST POINT (C\$.9934) SINCE THE FEBRUARY DEVALUATION. OCTOBER 31 BANK OF CANADA QUOTE OF C\$.9994 WAS ABOUT ONE-HALF CENT BELOW FINAL SEPTEMBER QUOTE.
SCHMIDT

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